

Paper Specific Markscheme

In addition to the assessment criteria use the paper-specific markscheme below. Award up to the maximum marks indicated.

1. (a) Define the following terms indicated in bold in the text:

(i) demand (paragraph ①)

[2 marks]

level

0 Wrong definition

0

1 Vague definition

1

The idea that it means consumers' want, need or desire for a product with the ability to pay for it.

2 Precise definition

2

An explanation that demand is the quantity of goods and services that consumers are willing, and able to buy at each possible price (over a given period of time).

(ii) oligopoly (paragraph ②).

[2 marks]

level

0 Wrong definition

0

1 Vague definition

1

The idea that it is an industry in which there are a few large firms.

2 Precise definition

2

An explanation that it is an industry where there are a few large firms, with at least one other characteristic of the market form.

(ii) PRICE ELASTICITY OF DEMAND / INCOME ELASTICITY OF DEMAND

LEVEL

0 WRONG DEFINITION

0

1 VAGUE DEFINITION

The idea that it is a relationship between price + demand.

①

2 Precise DEFINITION

An explanation that it is a measure of how responsive consumer demand is to changes in price / income

②

- (b) Using an appropriate demand and supply diagram, explain the impact of the SARS virus on the airline industry in the Asia-Pacific region.

[4 marks]

level

0 *Inappropriate answer*

0

1 *Identification of appropriate theory*

1-2

For drawing a demand/supply diagram indicating a decrease in demand/shift to the left for airline tickets or providing an explanation of how the SARS virus impacted on the airline industry.

2 *Correct application of appropriate theory*

3-4

For drawing a demand/supply diagram indicating a decrease in demand/shift to the left for airline tickets and providing an accurate explanation of how the SARS virus impacted on the airline industry.

- (c) Using appropriate diagram(s), explain why the price elasticity of demand for travel by business travellers is likely to differ from that of tourists.

[4 marks]

level

0 *Inappropriate answer*

0

1 *Identification of appropriate theory*

1-2

For drawing appropriate demand diagrams illustrating the relative PED for air travel by business travellers and tourists or for demonstrating an understanding of the factors which may influence the relative PED for air travel by business travellers and tourists.

2 *Correct application of appropriate theory*

3-4

For drawing appropriate demand diagrams illustrating the relative PED for air travel by business travellers and tourists and for demonstrating an understanding of the factors which may influence the relative PED for air travel by business travellers and tourists.

Candidates are likely to argue that business travel will have more inelastic demand for air travel than tourists. A range of answers are possible and should be rewarded.